

IRS TAX TIP 2004-39

RESERVISTS, ENLISTEES MAY GET DEFERRAL OF BACK TAXES

Reservists called to active duty and enlistees in the armed forces may qualify for a deferral of taxes owed if they can show that their ability to pay taxes was affected by their military service, according to the Internal Revenue Service. The Servicemembers Civil Relief Act provides this benefit.

The act covers active duty members of the military services — Army, Navy, Air Force, Marine Corps and Coast Guard — and commissioned officers of the uniformed services — Public Health Service and the National Oceanic and Atmospheric Administration. Reservists must be placed on active duty to qualify. National Guard personnel not serving in a “federalized” status — that is, called to active duty specifically by the president of the United States — are not covered.

The deferral applies to taxes that fall due before or during military service, and extends the payment deadline to six months (180 days) after the military service ends. No interest or penalty accrues during the deferral period.

The deferral is not automatic. A taxpayer must apply for it. When applying, the taxpayer must show how the military service affected the taxpayer's ability to pay. A taxpayer must also have received a notice of tax due, or have an installment agreement with the IRS, before applying for the deferral.

The deferral does not extend the deadline for filing any tax returns. However, taxpayers in the armed forces may get extra time to file under other provisions, such as being stationed overseas, in a combat zone or in a qualified hazardous duty area, or if they are serving in direct support of a combat zone.

Afghanistan and the airspace above was designated a combat zone effective September 19, 2001, by Executive Order No. 13239.

The following locations in the Kosovo area and the airspace above were designated as a combat zone and a qualified hazardous duty area effective March 24, 1999, by Executive Order No. 13119 and Public Law 106-21:

- The Federal Republic of Yugoslavia (Serbia/Montenegro)
- Albania
- The Adriatic Sea
- The Ionian Sea — north of the 39th parallel

The following locations in the Persian Gulf and the airspace above were designated as a combat zone effective January 17, 1991, by Executive Order No. 12744:

- The Persian Gulf

-More-

- The Red Sea
- The Gulf of Oman
- The part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude
- The Gulf of Aden
- The total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar and the United Arab Emirates

The following areas in the former Yugoslavia were designated a qualified hazardous duty area effective November 21, 1995, by Public Law 104-117:

- Bosnia and Herzegovina
- Croatia
- Macedonia

The following areas have been designated as serving in direct support of a combat zone by the Assistant Secretary of Defense:

- Incerlik Air Base in Turkey in support of Operation Enduring Freedom, effective September 21, 2001
- Pakistan, Tajikistan and Jordan, effective September 19, 2001
- Uzbekistan and Kyrgyzstan, effective October 1, 2001
- The Philippines in conjunction with Operation Enduring Freedom—Philippines, effective January 9, 2002
- Yemen, effective April 10, 2002
- Djibouti, effective July 1, 2002

Details of applying for the tax payment deferral are in IRS Publication 3, “Armed Forces’ Tax Guide,” which is available on the IRS Web site, www.irs.com, or by calling toll free 1-800-TAX-FORM (1-800-829-3676). Additional information on tax issues affecting the military can be found on the IRS Web site on the “1040 Central” page.

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